

TOBACCO SETTLEMENT

REVENUE MANAGEMENT AUTHORITY

REGULAR SESSION

MEETING OF January 31, 2008

ITEM NUMBER 1

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AGENCY: Tobacco Settlement Revenue Management Authority

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SUBJECT: Adoption of Budget

In accord with South Carolina Code of Laws Section 11-49-60 (12), the Authority is asked to adopt the attached proposed operating budget for the period of April 1, 2008, through March 31, 2009, and a fiscal year budget for the period July 1, 2008, through June 30, 2009, as submitted by the State Treasurer. The proposed budget is anticipated to cover, in part, expenses including, but is not limited to, professional services, payment of insurance premiums for members of the Authority Board, and other expenses related to the operation and administration of the Authority.

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AUTHORITY ACTION REQUESTED:

Adopt the operating budget for the Authority's budget year for the period April 1, 2008, through March 31, 2009, and the fiscal year budget for the period July 1, 2008, through June 30, 2009.

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ATTACHMENTS:

Chellis 1/8/08 letter; Proposed Budget; Code Section 11-49-60 (12)

**TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY**

**COLUMBIA, SOUTH CAROLINA**

**MARK SANFORD, CHAIRMAN  
CONVERSE A. CHELLIS, III, CPA  
RICHARD ECKSTROM, CPA  
HUGH K. LEATHERMAN, SR.  
DANIEL T. COOPER**

**CONVERSE A. CHELLIS, III, CPA  
AUTHORITY TREASURER  
POST OFFICE BOX 11778  
COLUMBIA, SOUTH CAROLINA 29211  
(803) 734-2101**

January 8, 2008

Mr. Delbert Singleton  
Secretary, Tobacco Settlement  
Revenue Management Authority  
600 Wade Hampton State Office Building  
Columbia, South Carolina 29201

Re: Tobacco Settlement Revenue Management Authority  
Annual Budget 2008-2009

Dear Delbert:

In accordance with South Carolina Code of Laws Section 11-49-60(12), I am pleased to submit herewith the annual budget proposed for the Tobacco Settlement Revenue Management Authority for the Fiscal Year beginning April 1, 2008 and ending March 31, 2009.

Please place this item on the agenda for the Authority's meeting on January 31, 2008.

Respectfully submitted,



Converse A. Chellis, III, CPA  
Authority Treasurer

Enclosure

**Tobacco Settlement Revenue Management Authority**  
(A Component Unit of the State of South Carolina)

Operating Budget for the Authority's Budget Year Ending March 31, 2009  
and Fiscal Year Ending June 30, 2009  
(Cash Basis)

	Base Year <u>4/1/2007 - 3/31/2008</u>	Budget Year <u>4/1/2008 - 3/31/2009</u>	Fiscal Year <u>7/1/2008 - 6/30/2009</u>
<b>Revenue</b>			
Tobacco settlement revenue	68,871,005	84,618,788	85,817,036
Investment earnings	<u>5,241,945</u>	<u>5,412,007</u>	<u>5,420,705</u>
Total	<u>74,112,950</u>	<u>90,030,795</u>	<u>91,237,741</u>
<b>Expense</b>			
Debt Service			
Principal	23,760,000	42,455,000	45,105,000
Interest	49,728,870	46,952,808	45,506,064
Administrative and operating expense			
Professional fees and expenses			
Audit and accounting	30,000	30,000	30,000
Arbitrage, deallocation and disclosure	25,000	25,000	25,000
Legal & Enforcement	500,000	500,000	500,000
Rating agencies	55,000	55,000	60,000
Trustee	6,700	6,700	7,500
Insurance			
Tort insurance for authority members	2,400	3,000	3,500
General operating			
Postage and shipping	100	100	100
Other operating expense	-	-	-
Contingency	<u>4,880</u>	<u>3,187</u>	<u>577</u>
Total	<u>74,112,950</u>	<u>90,030,795</u>	<u>91,237,741</u>
<b>Net revenue</b>	<u>-</u>	<u>-</u>	<u>-</u>

## CHAPTER 49.

### TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY ACT

#### **SECTION 11-49-60.** Powers of board to operate and administer authority.

In addition to the powers contained elsewhere in this chapter, the board has all power necessary, useful, or appropriate to operate and administer the authority, to effectuate the purposes of the authority, and to perform its other functions including, but not limited to, the power to:

- (1) have perpetual succession;
- (2) sue and be sued in its own name;
- (3) adopt, promulgate, amend, and repeal bylaws, not inconsistent with provisions in this chapter for the administration of the authority's affairs and the implementation of its functions;
- (4) have a seal and alter it at its pleasure, although the failure to affix the seal does not affect the validity of an instrument executed on behalf of the authority;
- (5) enter into contracts, arrangements, and agreements with government units and other persons and execute and deliver all financing agreements, including bonds issued to support the borrowing by such government units to pay eligible costs of qualified projects, and other instruments necessary or convenient to the exercise of the powers granted in this chapter;
- (6) enter into agreements with a department, agency, political subdivision or instrumentality of the United States or of this State or of another State for the purpose of planning and providing for the financing of qualified projects or for the administration of the purposes and programs of this chapter;
- (7) enter into agreements with the tobacco trust fund for the purpose of managing and controlling the transfer of funds between the authority and the tobacco trust fund and governing the investment and the monitoring and recordkeeping of these funds, for purposes of maintaining the exemption from federal income tax of interest on bonds and for other purposes;
- (8) enter into, amend, and terminate agreements in the nature of interest rate swaps, forward security supply contracts, agreements for the management of interest rate risks, agreements for the management of cash flow, and other agreements of a similar nature, with respect to bonds issued pursuant to this chapter;
- (9) procure insurance, guarantees, letters of credit, and other forms of collateral or security or credit support from any public or private entity, including any department, agency, or instrumentality of the United States or this State, for the payment of any bonds, including the power to pay premiums or fees on any insurance, guarantees, letters of credit, and other forms of collateral or security or credit support;
- (10) borrow money through the issuance of bonds as provided in this chapter, and through the issuance of notes in anticipation of the issuance of these bonds;
- (11) enter into contracts and expend funds to obtain accounting, management, legal, financial consulting, trusteeship and other professional services necessary or convenient to the operations of the authority; however, all matters relating to the designation and selection of bond counsel to the authority is within the discretion of the State Treasurer;
- (12) in order to pay budgeted items pursuant to a budget adopted in accordance with Section 11-49-100, to expend funds for the costs of administering the operations of the authority;
- (13) direct the escrow agent with respect to the disbursement to the authority of the State's tobacco receipts and receive and accept the State's tobacco receipts;
- (14) enter into contracts or agreements necessary, proper, or convenient for the effectuation of the powers and purposes of the board and the authority;
- (15) invest funds held by the authority under this chapter in any investment permitted for funds of this State, other than the State's retirement funds, or for funds of the political subdivisions of this

State, in revenue bonds of government units, and in general obligations of other States whose general obligation debt is rated not lower than the general obligation debt of this State;

(16) direct the Attorney General of this State to enforce in the name of the State of South Carolina, and if permissible to enforce directly through its own attorneys in the name of the State, the Master Settlement Agreement. This power is a part of the contractual obligation owed to the holders of any bonds; and

(17) do all other things necessary or convenient to exercise powers granted or reasonably implied by this chapter or that may be necessary for the furtherance and accomplishments of the purposes of the authority.

Before the date which is one year and one day after which the authority no longer has any bonds outstanding, the authority has no authority to file a voluntary petition under Chapter 9 of the United States Bankruptcy Code or corresponding chapters or sections as may, from time to time, be in effect, and neither any public officer or any organization, entity, or other person shall authorize the authority to be or become a debtor under Chapter 9 or any successor or corresponding chapter or sections during the periods. The provisions of this paragraph are for the benefit of the holders of any bonds and are a part of the contractual obligation owed to such bondholders, and the State shall not modify or delete the provisions of this paragraph during the periods described in this chapter.

In the exercise of its powers in this chapter, the board and the authority may obtain services in accordance with the procedures, guidelines, and criteria established by the board for that purpose and are not restricted by Chapter 35 of Title 11 or any successor provision.



TOBACCO SETTLEMENT REVENUE

MANAGEMENT AUTHORITY

MEETING OF January 31, 2008

REGULAR SESSION

ITEM NUMBER 2

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AGENCY: Tobacco Settlement Revenue Management Authority

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SUBJECT: Financial Statement for the Fiscal Year Ended June 30, 2007

South Carolina Code of Laws Section 11-49-100 requires that the Tobacco Settlement Revenue Management Authority "keep an accurate account of all of its activities and all of its receipts and expenditures and annually, in the month of January shall make a report of its activities to the State Budget and Control Board, the report to be in a form prescribed by the State Budget and Control Board with the written approval of the State Auditor." As required by Section 11-49-100, the Financial Statement has been approved in form by the State Auditor. The Authority is asked to approve the submittal of its Financial Statement to the Budget and Control Board in accord with Section 11-49-100.

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AUTHORITY ACTION REQUESTED:

In accord with Code Section 11-49-100, receive as information the Financial Statement of the Tobacco Settlement Revenue Management Authority Financial Statement for the Fiscal Year Ended June 30, 2007, and approve the submittal of the Financial Statement to the Budget and Control Board.

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ATTACHMENTS:

Chellis 1/8/08 letter with attachment; Code Section 11-49-100

**TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY**

COLUMBIA, SOUTH CAROLINA

MARK SANFORD, CHAIRMAN  
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AUTHORITY TREASURER  
POST OFFICE BOX 11778  
COLUMBIA, SOUTH CAROLINA 29211  
(803) 734-2101

January 8, 2008

Mr. Delbert Singleton  
Secretary, Tobacco Settlement  
Revenue Management Authority  
600 Wade Hampton State Office Building  
Columbia, South Carolina 29201

Dear Delbert:

In accordance with S.C. Code Section 11-49-100, which requires that the Authority provide an annual report of its activities to the State Budget and Control Board during the month of January, I am providing copies of the Authority's audited financial statements for the fiscal year ended June 30, 2007. Management's Discussion and Analysis contained therein describes the Authority's activities in all material respects.

Please place this item on the agenda for the Authority's meeting on January 31, 2008.

Respectfully submitted,



Converse A. Chellis, III, CPA  
Authority Treasurer

Enclosure



**TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY**

**COLUMBIA, SOUTH CAROLINA**

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AUTHORITY TREASURER  
POST OFFICE BOX 11778  
COLUMBIA, SOUTH CAROLINA 29211  
(803) 734-2101**

January 8, 2008

To the members of the South Carolina State Budget and Control Board and the members  
of the Tobacco Settlement Revenue Management Authority

It is my privilege to present to you a financial accounting of the activities of the Tobacco  
Settlement Revenue Management Authority for the Fiscal Year ended June 30, 2007.  
This report is furnished pursuant to S.C. Code Section 11-49-100, which requires that the  
Authority provide an annual report of its activities to the State Budget and Control Board  
during the month of January.

I trust that you will find this report informative and beneficial.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Converse A. Chellis, III", with a long horizontal flourish extending to the right.

Converse A. Chellis, III, CPA  
Authority Treasurer

Enclosure

## CHAPTER 49.

### TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY ACT

#### SECTION 11-49-60. Powers of board to operate and administer authority.

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- (1) have perpetual succession;
- (2) sue and be sued in its own name;
- (3) adopt, promulgate, amend, and repeal bylaws, not inconsistent with provisions in this chapter for the administration of the authority's affairs and the implementation of its functions;
- (4) have a seal and alter it at its pleasure, although the failure to affix the seal does not affect the validity of an instrument executed on behalf of the authority;
- (5) enter into contracts, arrangements, and agreements with government units and other persons and execute and deliver all financing agreements, including bonds issued to support the borrowing by such government units to pay eligible costs of qualified projects, and other instruments necessary or convenient to the exercise of the powers granted in this chapter;
- (6) enter into agreements with a department, agency, political subdivision or instrumentality of the United States or of this State or of another State for the purpose of planning and providing for the financing of qualified projects or for the administration of the purposes and programs of this chapter;
- (7) enter into agreements with the tobacco trust fund for the purpose of managing and controlling the transfer of funds between the authority and the tobacco trust fund and governing the investment and the monitoring and recordkeeping of these funds, for purposes of maintaining the exemption from federal income tax of interest on bonds and for other purposes;
- (8) enter into, amend, and terminate agreements in the nature of interest rate swaps, forward security supply contracts, agreements for the management of interest rate risks, agreements for the management of cash flow, and other agreements of a similar nature, with respect to bonds issued pursuant to this chapter;
- (9) procure insurance, guarantees, letters of credit, and other forms of collateral or security or credit support from any public or private entity, including any department, agency, or instrumentality of the United States or this State, for the payment of any bonds, including the power to pay premiums or fees on any insurance, guarantees, letters of credit, and other forms of collateral or security or credit support;
- (10) borrow money through the issuance of bonds as provided in this chapter, and through the issuance of notes in anticipation of the issuance of these bonds;
- (11) enter into contracts and expend funds to obtain accounting, management, legal, financial consulting, trusteeship and other professional services necessary or convenient to the operations of the authority; however, all matters relating to the designation and selection of bond counsel to the authority is within the discretion of the State Treasurer;
- (12) in order to pay budgeted items pursuant to a budget adopted in accordance with Section 11-49-100, to expend funds for the costs of administering the operations of the authority;
- (13) direct the escrow agent with respect to the disbursement to the authority of the State's tobacco receipts and receive and accept the State's tobacco receipts;
- (14) enter into contracts or agreements necessary, proper, or convenient for the effectuation of the powers and purposes of the board and the authority;
- (15) invest funds held by the authority under this chapter in any investment permitted for funds of this State, other than the State's retirement funds, or for funds of the political subdivisions of this

State, in revenue bonds of government units, and in general obligations of other States whose general obligation debt is rated not lower than the general obligation debt of this State;

(16) direct the Attorney General of this State to enforce in the name of the State of South Carolina, and if permissible to enforce directly through its own attorneys in the name of the State, the Master Settlement Agreement. This power is a part of the contractual obligation owed to the holders of any bonds; and

(17) do all other things necessary or convenient to exercise powers granted or reasonably implied by this chapter or that may be necessary for the furtherance and accomplishments of the purposes of the authority.

Before the date which is one year and one day after which the authority no longer has any bonds outstanding, the authority has no authority to file a voluntary petition under Chapter 9 of the United States Bankruptcy Code or corresponding chapters or sections as may, from time to time, be in effect, and neither any public officer or any organization, entity, or other person shall authorize the authority to be or become a debtor under Chapter 9 or any successor or corresponding chapter or sections during the periods. The provisions of this paragraph are for the benefit of the holders of any bonds and are a part of the contractual obligation owed to such bondholders, and the State shall not modify or delete the provisions of this paragraph during the periods described in this chapter.

In the exercise of its powers in this chapter, the board and the authority may obtain services in accordance with the procedures, guidelines, and criteria established by the board for that purpose and are not restricted by Chapter 35 of Title 11 or any successor provision.